

Message Text

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ACTION AGRE-00

INFO OCT-01 ISO-00 IO-14 AF-10 ARA-14 EA-12 EUR-12
NEA-10 OIC-02 SP-02 AID-05 EB-08 TRSE-00 SS-15
STR-05 OMB-01 CEA-01 CIAE-00 COME-00 FRB-01
INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01
INRE-00 NSCE-00 USIE-00 SSO-00 H-02 L-03 PA-02
PRS-01 /143 W

-----004589 031526Z /70

O R 031420Z NOV 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 9947

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY BERN

AMEMBASSY CANBERRA

AMEMBASSY CAIRO

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LUXEMBOURG

AMEMBASSY LIMA

AMEMBASSY LISBON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI

AMEMBASSY OTTAWA

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY PORT OF SPAIN

AMEMBASSY PRETORIA

AMEMBASSY QUITO

AMEMBASSY ROME

AMEMBASSY SEOUL

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AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VALLETTA

USMISSION GENEVA

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USEEC ALSO FOR EMBASSY
USOECN ALSO FOR EMBASSY
USMTN

DEPARTMENT PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: N/A

TAGS: EAGR

SUBJECT: IWC PREPARATORY GROUP MEETING - FIRST DAY

1. SUMMARY. IWC PREPARATORY GROUP MEETING BEGAN WITH GENERAL STATEMENTS GIVEN BY SEVERAL COUNTRIES FOLLOWED BY REVIEW OF FIRST THREE ARTICLES OF IWC SECRETARIAT'S DRAFT OF NEW INTERNATIONAL WHEAT AGREEMENT. GIVEN BELOW ARE HIGHLIGHTS OF FIRST DAY'S MEETING OF PREPARATORY GROUP.

2. EC STATED THAT RESERVE STOCK PROVISIONS AND PRICE PROVISIONS CONTAINED IN SECRETARIAT DRAFT OF NEW AGREEMENT SHOULD BE JOINED SO THAT RESERVES ARE USED TO CONTAIN TRADING PRICES WITHIN FIXED LIMITS. IT WAS REPEATEDLY EMPHASIZED THAT NEW AGREEMENT SHOULD CONTAIN SUBSTANTIVE ECONOMIC PROVISIONS NOT ONLY FOR WHEAT BUT ALSO COARSE GRAINS - A VIEW SPECIFICALLY OPPOSED BY US, CANADA, AUSTRALIA AND ARGENTINA. EC ALSO STATED THAT IT WAS WILLING TO DISCUSS GRAINS IN ONLY ONE PLACE, THUS UNCLASSIFIED

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IMPLYING THAT IT WOULD NOT CONSIDER GRAINS IN THE MTN WHILE DISCUSSIONS WERE ONGOING IN LONDON ON A NEW AGREEMENT.

3. JAPAN SUPPORTED POSITION THAT NEW AGREEMENT SHOULD CONTAIN FIXED MINIMUM/MAXIMUM TRADING PRICES WITH RESERVES BEING USED TO CONTAIN PRICES WITHIN THESE LIMITS. ITS GREATEST CONCERN WAS AVAILABILITY OF SUPPLIES AT AN APPROPRIATE ACCEPTABLE AND STABLE PRICE. JAPAN IS A LARGE STEADY IMPORTER AND THEREFORE HAS NOT CONTRIBUTED TO THE INSTABILITY IN THE WORLD GRAIN MARKET WITNESSED DURING LAST 5 YEARS. CONSEQUENTLY, ANY TYPE OF PARTICIPATION BY JAPAN IN NEW AGREEMENT WOULD HAVE TO BE VIEWED AS CONCESSION THAT WOULD BE TAKEN INTO ACCOUNT IN THE MTN. ANY ADJUSTMENTS NEEDED TO BRING WORLD SUPPLIES INTO BALANCE WITH DEMAND SHOULD BE DONE MAINLY THROUGH PRODUCTION ADJUSTMENTS AND NOT CONSUMPTION ADJUSTMENTS.

4. CANADA STATED THAT ITS WHEAT PRODUCERS DID NOT BELIEVE AN AGREEMENT CONTAINING FIXED MINIMUM/MAXIMUM TRADING PRICE PROVISIONS WOULD WORK. CONSEQUENTLY,

PRICES SHOULD BE USED ONLY AS AN INDICATOR TO TRIGGER ACTION PARTICULARLY IN REGARD TO STOCKING OR DESTOCKING. AT EXTREME PRICE LEVELS, ACTION WOULD ALSO BE TAKEN IN REGARDS TO PRODUCTION, TRADE AND POSSIBLY CONSUMPTION. IF AN AGREEMENT IS TO WORK IT SHOULD BE LARGELY SELF-BALANCING IN REGARD TO BENEFITS RECEIVED AND GIVEN. HOWEVER, IF ADDITIONAL BALANCING IS NEEDED CANADA IS WILLING TO LOOK AT END RESULTS IN CONNECTION WITH BROADER MTN NEGOTIATIONS.

5. AUSTRALIA ALSO INDICATED ITS WHEAT FARMERS DID NOT HAVE ANY CONFIDENCE IN WORKABILITY OF AN AGREEMENT CONTAINING FIXED MINIMUM/MAXIMUM TRADING PRICE PROVISIONS. CONSEQUENTLY, PRICES SHOULD BE USED ONLY AS UNCLASSIFIED

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AN INDICATOR. ALL COUNTRIES SHOULD SHARE BURDEN OF HOLDING RESERVE STOCKS. HOWEVER, AUSTRALIA CANNOT

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ACCEPT NOTION THAT RESERVE STOCKS WOULD BE DENIED MARKET
UNTIL SPECIFIED PRICE LEVEL REACHED.

6. RUSSIA INDICATED IT DID NOT REJECT THE PRINCIPLE
THAT RESERVE STOCKS CAN PLAY A ROLE IN STABILIZING
MARKET. HOWEVER, RESERVES, FOOD AID AND TRADE SHOULD
EACH BE DEALT WITH IN A SEPARATE CONVENTION IN NEW
AGREEMENT. LIMITING PRODUCTION OR REGULATING CONSUMP-
TION WERE NOT SOMETHING RUSSIA WAS WILLING TO UNDERTAKE.

7. BRAZIL STATED THAT DEVELOPING IMPORTING COUNTRIES
SHOULD BE RELIEVED OF OBLIGATION OF HOLDING RESERVE
STOCKS. INDIA ALSO SUPPORTED THIS STATEMENT AND INDI-
CATED THAT LIKE PROPOSED SUGAR AGREEMENT ONLY EXPORTERS
SHOULD BE REQUIRED TO HOLD RESERVE STOCKS. THESE
POSITIONS WERE REJECTED BY MOST OTHER COUNTRIES. INDIA
THEN INDICATED NEED FOR LDC'S TO BE PROVIDED WITH
FINANCIAL ASSISTANCE TO PURCHASE AND HOLD RESERVE STOCKS.

8. SEVERAL COUNTRIES SPOKE OF NEED TO TAKE INTO ACCOUNT

SPECIAL NEEDS OF LDC'S WITH EGYPT INDICATING THAT NEW
FOOD AID CONVENTION SHOULD BE DISCUSSED ALONG WITH NEW
WHEAT TRADE CONVENTION. INDIA SUGGESTED THAT NEW FOOD
AID CONVENTION SHOULD ADOPT TARGET OF 10 MILLION TONS.
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9. THE DAY ENDED WITH A BROAD DISCUSSION OF THE BASIS
FOR SHARING STOCKHOLDING RESPONSIBILITIES. NO CONSENSUS
WAS INDICATED ON THIS POINT.

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Message Attributes

Automatic Decaptioning: X
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
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Executive Order: N/A
Errors: N/A
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Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Review Release Event: n/a
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Review Withdrawn Fields: n/a
SAS ID: 389363
Secure: OPEN
Status: NATIVE
Subject: IWC PREPARATORY GROUP MEETING - FIRST DAY
TAGS: EAGR, IWC
To: STATE USEEC
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vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/a25eae0d-c288-dd11-92da-001cc4696bcc
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